



**STATE OF WISCONSIN
JOINT LEGISLATIVE COUNCIL**

REPORT NO. 16 TO THE 1999 LEGISLATURE

**LEGISLATION ON INCENTIVES FOR PRIVATE RESOURCE
STEWARDSHIP**

1999 ASSEMBLY BILL 680, Relating to Requiring the Department of Natural Resources to Promulgate Rules Establishing Policies for the Acceptance of Contributions From Private Sources, Prohibiting the Department of Natural Resources From Selling the Naming Rights of Certain Properties Under Its Jurisdiction and Granting Rule-Making Authority

1999 ASSEMBLY BILL 681, Relating to Adding a 15-Year Term for Orders Designating Land Under the Managed Forest Land Program, Allowing the Department of Natural Resources to Contract With Private Foresters to Prepare Management Plans Under the Managed Forest Land Program and Making an Appropriation

Legislative Council Staff

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JOINT LEGISLATIVE COUNCIL
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PART I

**KEY PROVISIONS OF LEGISLATION; COMMITTEE
AND JOINT LEGISLATIVE COUNCIL VOTES**

A. PROVISIONS ENACTED IN 1999 WISCONSIN ACT 9

Three of the recommendations of the Joint Legislative Council's Special Committee on Incentives for Resource Stewardship were, with some amendments and one revision created by a partial veto enacted in 1999 Wisconsin Act 9. These provisions, which are described in Part III of this Report:

1. Provide an annual grant of \$150,000 to a nonprofit corporation to fund activities that encourage and assist private landowners to donate land and interests in land for conservation purposes.
2. Provide an annual grant of \$85,000 to a nonprofit corporation to encourage corporations and other persons to undertake activities that protect and promote rare and endangered wild animals and wild plants, to encourage land management activities that promote conservation goals and to provide conservation education.
3. Authorize corporations to donate income tax refunds to the Department of Natural Resources (DNR) to preserve endangered resources.

B. 1999 ASSEMBLY BILL 680, RELATING TO REQUIRING THE DEPARTMENT OF NATURAL RESOURCES TO PROMULGATE RULES ESTABLISHING POLICIES FOR THE ACCEPTANCE OF CONTRIBUTIONS FROM PRIVATE SOURCES, PROHIBITING THE DEPARTMENT OF NATURAL RESOURCES FROM SELLING THE NAMING RIGHTS OF CERTAIN PROPERTIES UNDER ITS JURISDICTION AND GRANTING RULE-MAKING AUTHORITY

C. 1999 ASSEMBLY BILL 681, RELATING TO ADDING A 15-YEAR TERM FOR ORDERS DESIGNATING LAND UNDER THE MANAGED FOREST LAND PROGRAM, ALLOWING THE DEPARTMENT OF NATURAL RESOURCES TO CONTRACT WITH PRIVATE FORESTERS TO PREPARE MANAGEMENT PLANS UNDER THE MANAGED FOREST LAND PROGRAM AND MAKING AN APPROPRIATION

Assembly Bills 680 and 681 include the provisions recommended by the Special Committee on Incentives for Resource Stewardship that were not enacted in 1999 Wisconsin Act 9 and are described in Part III of this Report:

1. Assembly Bill 680 requires the DNR to promulgate administrative rules adopting policies to be followed by the DNR in accepting and using donations from private parties.

2. Assembly Bill 681 revises the managed forest land program to encourage private landowners to enter land in the managed forest land program by allowing land to be entered in the program for a 15-year contract period and provides an appropriation to the DNR to contract with private foresters to prepare plans for entry of wooded land into the managed forest land program.

- Votes

By a mail ballot, dated March 30, 1999, the Special Committee on Incentives for Resource Stewardship voted to recommend 1999 Assembly Bills 680 and 681 (WLCS: 0085/1) (including the provisions of 1999 Assembly Bills 680 and 681 and three provisions, as amended, included in 1999 Wisconsin Act 9, described above and in Part III of this Report) to the Joint Legislative Council for introduction in the 1999-00 Session of the Legislature on a vote of: Ayes, 16 (Reps. Duff, Steinbrink and Wasserman; Sen. Risser; and Public Members Abrahams, Bozek, Cieslewicz, DeWitt, Fassett, Gilbert, Hussey, Jordahl, Kindschi, Maclay, Parsonage and Riece); and Noes, 3 (Sen. Farrow; and Reps. Powers and Skindrud).

At its May 26, 1999 meeting, the Joint Legislative Council voted to introduce 1999 Assembly Bills 680 and 681 (WLCS: 0085/1) (including the provisions of 1999 Assembly Bills 680 and 681 and three provisions, as amended, included in 1999 Wisconsin Act 9, described above and in Part III of this Report) by a vote of Ayes, 17 (Sens. Risser, Burke, Chvala, Erpenbach, Grobschmidt, Robson and Rosenzweig; and Reps. Kelso, Bock, Foti, Freese, Huber, Jensen, Krug, Schneider, Seratti and Stone); Noes, 0; and Absent, 5 (Sens. Cowles, Ellis, George and Zien; and Rep. Gard).

PART II

COMMITTEE ACTIVITY

A. ASSIGNMENT

The Joint Legislative Council established the Special Committee on Incentives for Resource Stewardship and appointed the chairperson by a June 24, 1998 mail ballot. The Joint Legislative Council directed the Special Committee to study means to encourage and promote private efforts to conserve and protect the natural values of land and water through an appropriate legislative framework and the use of economic incentives. Representative Marc Duff was appointed to chair the Special Committee.

Members of the Special Committee were appointed by an August 21, 1998 mail ballot. The membership of the Special Committee consisted of two Senators, five Representatives and 12 Public Members. A list of members of the Special Committee is included as **Appendix 1**. **Appendix 2** lists the materials that were prepared for or submitted to the Special Committee.

B. SUMMARY OF MEETINGS

The Special Committee held five meetings at the State Capitol in Madison on the following dates :

| | |
|-------------------|-------------------|
| October 7, 1998 | February 2, 1999 |
| November 18, 1998 | February 23, 1999 |
| December 18, 1998 | |

At the October 7, 1998 meeting, the Special Committee heard a presentation by Representative Scott Jensen, Speaker, Wisconsin Assembly. Speaker Jensen had requested the Joint Legislative Council to establish the Special Committee and had suggested the topics for consideration by the Special Committee. Speaker Jensen focused on the need to do more to promote private resource stewardship because of the limits on how much can be done by the public sector, primarily due to the limited amount of funds available. He said that public sector efforts need to be leveraged with private money. Speaker Jensen suggested that the Special Committee should examine ways to remove obstacles to private resource stewardship, to provide incentives for private resource stewardship, to encourage public and private partnerships and to foster commercial markets for private environmental stewardship. Speaker Jensen was followed by several invited speakers.

Craig Karr, Administrator, Division of Customer Assistance and External Relations, DNR, suggested that the Special Committee should review the following areas for potential legislative efforts: increasing partnerships with nonprofit conservation organizations and land trusts, maximizing the state's ability to take advantage of federal programs, creating opportunities for the private sector to provide services previously provided only by the state, reducing

taxes for private landowners and providing information to assist private efforts in land management.

Mary Jean Huston, Project Director, Baraboo Hills Project, Nature Conservancy--Wisconsin Chapter, said that nonprofit conservation organizations need financial assistance to protect land and efforts needed to be undertaken to identify land and habitat that need preservation.

Vicki Elkin, Executive Director, Gathering Waters, said that the Special Committee should investigate ways to strengthen the land trust movement. She said that a modest investment in a land trust can produce significant benefits in land protection, particularly when the primary function of the land trust is to mobilize and coordinate the private donation of easements.

Topf Wells, Member, Trout Unlimited, described the work that can be done by conservation organizations and the advantages of well-coordinated governmental and volunteer efforts in private land conservation. He emphasized the importance of adequate DNR staff to support nonprofit conservation organizations, particularly field staff. In addition, he noted the public benefit of these projects and suggested a cost-share program for landowners who cooperate in private conservation projects.

Brent Haglund, Sand County Foundation, emphasized the need to raise funds by nontax revenues, such as fees, and to leverage more federal money.

Chairperson Duff concluded the meeting by asking Special Committee members to describe any issues they would like the Special Committee to consider.

At the November 18, 1998 meeting, the Special Committee heard a presentation from DNR staff regarding the efforts to reauthorize the Stewardship Program, which was created as a 10-year program to expire in the year 2000. The DNR staff described the connections between the Stewardship Program, nonprofit conservation organizations and local units of government, pointing out that the DNR concentrates on areas of statewide concern, local governments concentrate on high-intensity recreational uses and nonprofit conservation organizations focus on the conservation of natural resources in the local community and low-intensity recreational uses. The DNR staff said that several fundamental issues have been discussed in the process of reorganizing the Stewardship Program, including methods for determining land values in grant programs, the balance between funding for acquisition and funding for property development, methods to set priorities if demands placed on the program exceed the resources available and the source of funding for the new program.

The Special Committee also heard testimony from Pat Walsh, Community Natural Resources and Economic Development Program Leader for the University of Wisconsin (UW) Cooperative Extension. He said that the extension emphasizes the need for cooperation and partnership arrangements among state agencies, local governments and private organizations in order to undertake significant conservation efforts.

The remainder of the meeting was devoted to a detailed discussion by Special Committee members of Memo No. 1, *Proposals to Enhance Private Resource Stewardship Which Could Be Considered by the Special Committee* (November 10, 1998). The Special Committee identified issues in Memo No. 1 for further consideration.

At the December 18, 1998 meeting, the Special Committee heard a presentation by Paul Pingrey, Private Lands Specialist, Bureau of Forestry, DNR. Mr. Pingrey described the history of the state's forest tax program and the efforts of the DNR to support private forestry. He said that the current emphasis of the DNR is on landowners who have not previously participated in the Managed Forest Land Program. He described the potential tax benefits for a landowner when forested land is entered in the program.

Following the presentation by Mr. Pingrey, the Special Committee continued its discussion of Memo No. 1, *Proposals to Enhance Private Resource Stewardship Which Could Be Considered by the Special Committee* (November 10, 1998).

At the February 2, 1999 meeting, the Special Committee organized its discussion around the contents of Memo No. 2, *Possible Proposals for Legislation by the Special Committee* (January 26, 1999). The entire meeting was devoted to a discussion related to state support for Gathering Waters, a statewide organization that receives a grant from the DNR to support local land trust activities.

At the February 23, 1999 meeting, the Special Committee heard a presentation by Laurie J. Osterndorf, Executive Director, Natural Resources Foundation, regarding the activities of that organization. She said that the Natural Resources Foundation encourages and promotes private activities with respect to land stewardship, in contrast to Gathering Waters, which focuses on land acquisition. The Natural Resources Foundation sponsors a modest grant program to assist with private landowner projects. The Natural Resources Foundation also assists in the start up of new conservation groups. The Special Committee then engaged in an extensive discussion of issues regarding contributions to the DNR from private sources, and how to require the DNR to develop administrative rules to set parameters for accepting and soliciting contributions. The Committee concluded the meeting by completing its discussion of a funding proposal for the Natural Resources Foundation and Gathering Waters and several proposals for private forest land.

C. STAFF MATERIALS AND OTHER MATERIALS

Appendix 3 lists all of the materials received by the Special Committee on Incentives for Resource Stewardship. The following document, prepared by the Legislative Council Staff, may be of particular interest to persons interested in the work of the Committee:

- Staff Brief 98-5, *Statutes That Support Private Resource Stewardship* (September 29, 1998).

PART III

BACKGROUND; DESCRIPTION OF COMMITTEE RECOMMENDATIONS INCLUDED IN 1999 WISCONSIN ACT 9 AND 1999 ASSEMBLY BILLS 680 AND 681

This Part of the Report provides background information on, and a description of, the recommendations of the Special Committee on Incentives for Resource Stewardship included in 1999 Wisconsin Act 9 and 1999 Assembly Bills 680 and 681.

A. GENERAL BACKGROUND

In its deliberations, the Special Committee on Incentives for Resource Stewardship sought information on ways to encourage private sector activities to promote resource stewardship. The Special Committee found that promoting private resource stewardship is important because there are limits on the powers and resources of government available to promote the goal of resource conservation. Therefore, it is important that government, wherever possible, leverage the resources in the private sector as a means of enhancing the goal of private resource conservation. Further, the encouragement of additional private citizens to participate in the goal of conservation of the state's resources is itself a goal. It is in the state's interest that as many people as possible have a stewardship ethic, so that the state can preserve and protect as much of the environment as possible.

In general, the Special Committee focused its attention on ways that the state can *provide incentives* for private resource stewardship, on *removing or ameliorating existing impediments* to private resource stewardship and on ways that the state can creatively form a *partnership with the private sector* in promoting resource conservation goals.

B. DESCRIPTION OF COMMITTEE RECOMMENDATIONS INCLUDED IN 1999 WISCONSIN ACT 9

1. State Grant to Aid Land Trusts to Acquire Land and Interests in Land for Conservation Purposes

a. Background

(1) Current law

In the 1993 Session, the Legislature created s. 23.0955, Stats., which provides an annual grant to an organization that provides assistance to nonprofit conservation organizations. The DNR determines whether the organization meets the requirements of the statute and awards the grant.

An organization known as Gathering Waters was the recipient of the first annual grant of \$75,000 in the 1994-95 fiscal year. Gathering Waters received additional grants of \$75,000 in

each of the 1996-97, 1997-98 and 1998-99 fiscal years. The source of the funds for these grants is the segregated conservation fund. Gathering Waters is not named or identified in the statute and any organization that meets the requirements of the statute may compete for the grant.

To obtain a grant under the statute, an organization must do all of the following:

- a. Organize in this state.
- b. Meet the requirements under s. 501 (c) (3) or (4) of the Internal Revenue Code for an organization that is exempt from federal income taxation under s. 501 (a) of the Internal Revenue Code.
- c. Provide support to nonprofit conservation organizations.
- d. Have a board of directors that has a majority of members who are representatives of nonprofit conservation organizations.
- e. Contribute a matching amount of \$25,000 in funds to be used in conjunction with the state grant.

The key function required under the current statute for the organization that receives the grant is to provide support to nonprofit conservation organizations. "Nonprofit conservation organizations" are defined in s. 23.0955, Stats., as a "nonprofit corporation, a charitable trust or other nonprofit association whose purposes include the acquisition of property for conservation purposes and that is described in section 501 (c) (3) of the internal revenue code and is exempt from federal income tax under section 501 (a) of the internal revenue code."

The organization that receives a grant under the current statute is required to do all of the following:

- a. Assist in the establishment of nonprofit conservation organizations.
- b. Provide technical assistance to nonprofit conservation organizations, especially in the areas of management, receiving federal tax exemptions, conservation easements and real estate transactions.
- c. Conduct conferences on the subjects listed in item b., immediately above.

Most of the nonprofit conservation organizations that receive assistance under the statute are referred to as "land trusts." Many of these land trusts are organized locally, function in a limited area and are run by volunteers. It is estimated that 40 land trusts have been organized in Wisconsin, the majority of them since 1990. Local land trusts work with landowners to assure long-term protection of the natural, scenic or recreational values of land.

(2) Purpose of amending the statute

The Special Committee determined that the current statute has served a valuable purpose. A number of new local land trusts have been created and, together, the land trusts have provided permanent protection for an estimated 68,000 acres of privately owned land. Because land trusts are run by volunteers who are part of the community, they have a great deal of credibility. Many landowners who may be hesitant to approach a state agency or local governmental unit regarding the protection of their land are much more likely to work with a land trust. It is clear that a modest effort by local land trusts can leverage the protection of large amounts of land.

The Special Committee determined that a reasonable increase in funding for the statewide organization will produce substantial additional results in land protection by enabling more support for local land trusts. With more state funding, the statewide organization will be able to broaden the base of support that it provides for land protection activities generally. For example, the organization will be able to serve as a land trust by acquiring easements in areas of the state that are not served by land trusts, provide training and technical assistance to local land trusts and local units of government and increase public awareness of the options available to protect their land.

b. Act 9

Under Act 9, the amount of an annual grant to a nonstock, nonprofit corporation under s. 23.0955 is established at \$150,000 for fiscal year 1999-2000 and \$150,000 annually beginning in fiscal year 2000-2001. The source of this additional funding, as under the current statute, is the conservation fund. The DNR determines how to allocate this appropriation to the accounts in the conservation fund, according to the benefits accruing to particular resources or user groups under the grant program. The requirement for a \$25,000 match under the current statute is retained.

In addition, the Act makes the following changes to current s. 23.0955, Stats.:

(1) It authorizes the corporation receiving a grant to acquire a property for conservation purposes where no other nonprofit conservation organization exists that is willing to assist, or is capable of effectively assisting, in the transfer of the property or that can adequately manage the property after it is acquired.

(2) It directs the corporation receiving a grant to assist nonprofit conservation organizations in acquiring property for conservation purposes and in managing property acquired for conservation purposes.

(3) It requires a corporation receiving a grant to emphasize in its activities the establishment of nonprofit conservation organizations and the provision of technical assistance to nonprofit conservation organizations, especially in the areas of management, receiving federal tax exemptions, conservation easements and real estate transactions.

(4) It requires that the corporation have a board of directors whose members represent, to the greatest extent practicable, all geographic areas of the state.

In addition, the Act requires the preparation of two different types of reports. The first reporting requirement, which is imposed for each fiscal year, requires the corporation receiving a grant to prepare a report detailing the activities for which the grant is expended, describing any property acquired by the corporation and explaining how the acquisition of that property furthers the goal of natural resource conservation in this state. Copies of the report are required to be submitted to the DNR and to the Legislature.

The second report which is required only once, is due not earlier than January 1, 2004 and not later than July 1, 2004. Under this requirement, the DNR must prepare a comprehensive report describing the cost of and accomplishments achieved by activities funded with grants under s. 23.0955, Stats. The report is required to evaluate how grants under s. 23.0955, Stats., have furthered the goal of encouraging private resource conservation, to evaluate the extent to which the grants complement resource conservation goals of the DNR and to recommend to the Legislature whether the grant program under s. 23.0955, Stats., should be continued, eliminated or revised. The report is required to be distributed to the Speaker of the Assembly and President of the Senate for referral to the appropriate standing committees of the Legislature. [SECTIONS 665rd, 665rf, 665rg and 665rh.]

c. How the Annual Grant Amount in Act 9 Differs From the Enrolled Bill and the Original Committee Recommendation

WLCS: 0085/1, as recommended by the Special Committee on Incentives for Resource Stewardship, would have provided an annual grant to a nonstock, nonprofit corporation under s. 23.0955, Stats., of \$250,000 in fiscal year 1999-2000 and \$500,000 annually beginning in fiscal year 2000-2001. 1999 Enrolled Assembly Bill 133 reduced the grant to \$250,000 annually beginning in fiscal year 1999-2000. The Governor further reduced the annual grant amount to \$150,000 through his item veto. His veto message with respect to this issue is as follows:

Sections 665rc and 665re require, rather than allow, the Department of Natural Resources to provide an annual grant to a nonprofit conservation corporation which provides support to nonprofit conservation organizations. Section 665rc also increases the amount of the grant from \$75,000 to \$250,000. Section 172 [as it relates to s. 20.370 (5) (aw)] provides additional funding to cover the increase to the grant. The intent is that this grant be provided to Gathering Waters.

I am vetoing these sections because the amount of the annual grant is excessive. A grant of \$150,000 would be a more appropriate grant award. Doubling the amount of state funding provides a significant increase for the organization's activities. By lining out the department's s. 20.370 (5) (aw) appropriation and writing in smaller amounts that delete \$100,000 SEG annually provided for this purpose in fiscal years 1999-2000 and 2000-2001, I am vetoing the part of the bill which funds this grant to reflect a more appropriate annual grant amount of \$150,000. I also request the

department make a \$150,000 annual grant to Gathering Waters. I am also requesting the Department of Administration secretary not to allot these funds.

2. State Grant to Encourage Corporations and Other Private Entities to Protect Endangered Species and Promote Sound Land Management

a. Background

In 1986, the Natural Resources Foundation was created to accept and to utilize private contributions made to protect and enhance the state's natural resource heritage. The foundation was created as a nonprofit organization and has developed a "friends group" relationship with the DNR to develop new ways in which the public and the DNR can work together for natural resource conservation.

A major activity of the foundation is management and restoration of Wisconsin's endangered species and natural communities. Projects in this area include:

(1) ***Trumpeter Swan Recovery Program***, which seeks to establish a breeding, migratory population of 20 pairs of trumpeter swans by the year 2000.

(2) ***Management of state natural areas along the Mississippi River***, a series of "goat prairies" on steep river bluffs which are an increasingly rare natural community as brush and trees take over in absence of fire.

(3) ***Timber Wolf Monitoring Program***, an ongoing study of the population, health and movements of Wisconsin's timber wolves, which have recently reestablished themselves in Wisconsin.

(4) ***Native plant farm***, the establishment of several nurseries in Wisconsin which will provide native plant seed for plantings in public areas such as roadsides, waysides and parks.

In addition, the foundation has established the Small Matching Grants Program, which leverages local conservation efforts with grants of up to \$1,000 which are required to be matched dollar-for-dollar. Annual grants under the program are approximately \$10,000 which is funded primarily by corporate membership, memorials and honoraria. The foundation also conducts a variety of education and public outreach programs.

b. Act 9

Act 9 creates s. 23.0956, Stats., which requires the DNR to provide an annual grant of \$85,000 beginning in fiscal year 2000-2001 to a nonstock, nonprofit corporation that is exempt from taxation under s. 501 (a) of the Internal Revenue Code and that was created to accept and to utilize private contributions made to protect and enhance the state's natural resource heritage. A corporation receiving a grant must use the grant to fund the following activities:

(1) Encourage corporations and other private entities to undertake activities, including the contribution of money, which encourage management and restoration of the state's endangered wild animals and plants and natural communities.

(2) Encourage corporations and other private entities to engage in land management practices that protect and preserve natural resources.

(3) Provide grants to nonprofit and other groups to encourage education, land acquisition, restoration and management activities to enhance the state's natural resources.

Although the characteristics of an organization eligible to receive a grant are those of the Natural Resources Foundation, the foundation is not named or identified in the statute. Any organization that meets the requirements of the statute can compete for the grant.

The Special Committee determined that the foundation has been effective in encouraging private resource conservation and that providing an annual grant to the foundation or a similar organization is an effective way of leveraging public moneys for conservation by encouraging equal or greater amounts of contributions from the private sector. [SECTION 665ri.]

c. How the Annual Grant Amount in Act 9 Differs From the Original Committee Recommendation

The Special Committee recommended an annual grant amount of \$95,000, which is \$10,000 more than the annual grant amount approved in Act 9.

3. Authorize Corporations to Donate Corporate Income Tax Refunds or to Pay an Additional Amount of Income Tax as a Donation to the Endangered Resources Program

a. Background

Under current law, an individual filing an income tax return may designate on the return any amount of a refund due that individual or may make an additional payment as a contribution to the Endangered Resources Program. [s. 71.10 (5), Stats.] For fiscal year 1998, \$535,000 was donated to the Endangered Resources Program through individual income tax returns.

Under the Endangered Resources Program, the DNR purchases and improves habitat for native Wisconsin endangered or threatened species and for nongame species, conducts the natural heritage inventory program, conducts wildlife and research and surveys and provides wildlife management services. Under current law, only individuals are authorized to donate additional moneys or to donate income tax refunds to the Endangered Resources Program. The Special Committee determined that corporations should also be authorized and encouraged to make donations to the Endangered Resources Program through corporate income tax returns.

b. Act 9

Act 9 creates s. 71.30 (10), Stats., which authorizes corporations to donate corporate income tax refunds or to pay an additional amount of income tax to the Endangered Resources Program. [SECTION 1748b.]

C. DESCRIPTION OF COMMITTEE RECOMMENDATIONS INCLUDED IN 1999 ASSEMBLY BILLS 680 AND 681

1. 1999 Assembly Bill 680, Relating to Requiring the Department of Natural Resources to Promulgate Rules Establishing Policies for the Acceptance of Contributions From Private Sources, Prohibiting the Department of Natural Resources From Selling the Naming Rights of Certain Properties Under Its Jurisdiction and Granting Rule-Making Authority

a. Background

Under current law, there are no statutes or administrative rules that establish policies relating to the acceptance and use of contributions to the DNR from private sources. The Special Committee determined that the promulgation of formal policies in administrative rules will encourage and facilitate partnerships between the DNR and private organizations or individuals, enhance the ability of DNR to leverage private resources and develop policies for the public acknowledgement of private contributions to the DNR.

b. Assembly Bill 680

Assembly Bill 680 creates s. 23.099, Stats., which requires the Natural Resources Board to establish by rule policies and limitations regarding the acceptance and use of contributions to the DNR from private sources.

The rules will apply to a contribution of any type that has value, whether the contribution consists of cash, property or, in the case of individuals, physical effort from a “private source,” which is defined to be mean any individual and any entity that is not a governmental unit, such as a partnership, corporation or nongovernmental association. The Act prohibits the DNR from selling the naming rights for state parks, forests, trails, natural areas or wildlife areas.

The Special Committee recommends that the DNR promulgate the rules for contributions from private sources in two stages. The first stage would build on current rules and recent internal DNR studies related to the acceptance of contributions. This portion of the rules could be promulgated soon after the draft is enacted into law. The second stage would relate to the solicitation of contributions by the DNR.

2. Assembly Bill 681, Relating to Adding a 15-Year Term for Orders Designating Land Under the Managed Forest Land Program, Allowing the Department of Natural Resources to Contract With Private Foresters to Prepare Management Plans Under the Managed Forest Land Program and Making an Appropriation

a. Background

Under the Managed Forest Land Program, property owners are offered property tax incentives to manage land in accordance with sound forestry practices. For the period 1998-2002, lands entered under the Managed Forest Land Program are taxed at \$.74 per acre if the lands are open to the public for recreational purposes and at \$1.74 per acre if the lands are closed to the public. Because the average property tax on forest land not entered in the Managed Forest Land Program and thus subject to property taxation for 1998 was about \$8 per acre (the range of 1998 property taxes on woodland was a low of \$3 per acre and a high of \$30 per acre), the property tax incentives for entering land under the Managed Forest Land Program are substantial. In addition, this incentive is likely to increase because the value of forest lands in Wisconsin has been increasing at a substantial rate. For 1998, the equalized value of forest land increased by over 24%, the increase for 1997 was a little over 17% and the increase for 1996 was almost 15%. If this trend continues and property taxes on forest land continue to increase, it is likely that the incentive to enter land in the Managed Forest Land Program will also increase.

Currently, according to the DNR, 24,000 landowners have entered approximately 2.4 million acres of forest land in the Managed Forest Land Program and its predecessor programs. Approximately 90% of the forest land owned by industrial concerns is entered in the Managed Forest Land Program. Approximately one million of the 2.5 million acres in the Managed Forest Land Program are owned by industrial concerns. Only about 15% of forest lands owned by nonindustrial landowners is entered in the Managed Forest Land Program.

In order to be eligible to be entered in the Managed Forest Land Program, a parcel of land must consist of at least 10 contiguous acres and at least 80% of the parcel must be producing or capable of producing a minimum of 20 cubic feet per acre of merchantable timber. Land entered in the Managed Forest Land Program may be enrolled for either a 25-year or a 50-year period. The per acre tax does not vary based upon the length of the contract. An owner of managed forest land must agree to manage the property according to a management plan approved by the DNR. The management plan includes objectives for the production of merchantable timber and, in addition, may contain objectives other than timber production including wildlife habitat management, aesthetic considerations, watershed management and recreational use.

Generally, owners of managed forest land are required to permit public access to the land for hunting, fishing, hiking, sightseeing and cross-country skiing. However, an owner may elect to close up to 80 acres of land in a single municipality to the public, although the closed land is subject to the higher per acre tax of \$1.74 per acre. In addition, an owner may prohibit the use of motor vehicles or snowmobiles on managed forest land and may restrict public access to any area of open managed forest land which is within 300 feet of any building or within 300 feet of a commercial logging operation.

When timber is harvested on managed forest land, a yield tax of 5% of the value of the harvested timber is imposed on the owner. If land is withdrawn from the Managed Forest Land Program before the end of the contract, a withdrawal tax is imposed. The amount of the withdrawal tax is generally the most current property tax that would have been imposed if the land had not been entered in the program times the number of years that the property was in the program. An owner of managed forest land may transfer land to another person without the withdrawal tax being imposed on the transferred land if:

- (1) An entire parcel of managed forest land is transferred; or
- (2) All of the owner's managed forest land within a quarter quarter (forty acre) section, a government lot or a fractional lot (less than a quarter quarter section but still a whole lot as determined by the U.S. Government Survey) is transferred.

If the transferred land does not meet either of the two requirements above, the DNR issues an order withdrawing the transferred land from the Managed Forest Land Program and assesses the owner of the transferred land a withdrawal tax. If the transferred land does meet one of the two requirements above, the land may be continued in the Managed Forest Land Program, and no withdrawal tax is imposed, if the transferee agrees to comply with the managed forest land management plan.

The Special Committee determined that the goal of encouraging owners of forest land to enter the Managed Forest Land Program could be furthered by allowing owners to commit to the program for a 15-year, rather than a 25- or 50-year period. However, the Special Committee also determined that an appropriate goal of the Managed Forest Land Program is to encourage long-term participation in the program and that, therefore: a 15-year contract should be available only for land entered in the Managed Forest Land Program for the first time; land entered under a 15-year contract should be subject to an additional managed forest law tax of \$1.25 an acre and that land entered in the program for a 15-year period should be able to be converted to a 25- or 50-year contract at any time.

b. Assembly Bill 681

Assembly Bill 681 amends the Managed Forest Land Program to provide for a 15-year contract for first-time entries of land in the program, commencing on January 1, 2001. Land entered for 15 years may be converted to 25- or 50-year entries at any time. Under the bill, an additional \$1.25 per acre is added to the annual managed forest land tax for lands entered under a 15-year contract.

In addition, Assembly Bill 681 appropriates \$300,000 in fiscal year 1999-2000 and \$300,000 in fiscal year 2000-2001 for the DNR to contract with private forestry consultants to prepare the necessary management plans for entry of land into the managed forest land program.

APPENDIX 1

JOINT LEGISLATIVE COUNCIL

s. 13.81, Stats.

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Cochairperson

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APPENDIX 2

**INCENTIVES FOR RESOURCE STEWARDSHIP,
SPECIAL COMMITTEE ON**

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JOHN STEINBRINK
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STUDY ASSIGNMENT: The Committee is directed to study means to encourage and promote private efforts to conserve and protect the natural values of land and water through an appropriate legislative framework and the use of economic incentives. The Special Committee shall report its recommendations to the Joint Legislative Council by May 1, 1999. [Based on a May 28, 1998 memorandum from Rep. Scott Jensen.]

Established and Chairperson appointed by a June 24, 1998 mail ballot; members appointed by an August 21, 1998 mail ballot.

19 MEMBERS: 2 Senators; 5 Representatives; and 12 Public Members.

LEGISLATIVE COUNCIL STAFF: William Ford, Senior Staff Attorney; Mark Patronskey, Senior Staff Attorney; and Julie Learned, Administrative Staff.

APPENDIX 3

COMMITTEE MATERIALS

Staff Materials

1. Staff Brief 98-5, *Statutes That Support Private Resource Stewardship* (September 29, 1998).
2. Memo No. 1, *Proposals to Enhance Private Resource Stewardship Which Could Be Considered by the Special Committee* (November 10, 1998).
3. Memo No. 2, *Possible Proposals for Legislation by the Special Committee* (January 26, 1999).

Other Materials

1. *Comments to Legislative Council Special Committee on Incentives for Resource Stewardship*, by Craig Karr, Wisconsin Department of Natural Resources (DNR) (October 7, 1998).
2. Pamphlet, *The Nature Conservancy*, Wisconsin Chapter (Summer 1998).
3. Testimony by Brent M. Haglund, Ph.D., *Incentives for Resource Stewardship* (October 7, 1998).
4. Handout submitted by Vicki Elkin, *Facts About Wisconsin Land Trusts*, Gathering Waters, Inc. (undated).
5. Packet of materials distributed by Gathering Waters, Inc. (October 1998).
6. Magazine, *Stewardship, The return on your investment*, Wisconsin DNR (1994).
7. Brochure, *A Look at Wisconsin's Forests*, prepared by the DNR (undated).
8. Testimony by Paul Pingrey, Bureau of Forestry, Private Forestry Specialist (December 18, 1998).
9. *Wisconsin's Managed Forest Program*, DNR Forest Tax Section (undated).
10. *Pollutant Trading Fact Sheet - General*, submitted by Dr. Paul Abrahams (undated).
11. Brochure, *Natural Resources Foundation of Wisconsin, Inc.*, submitted by Laurie Osterndorf (undated).
12. Memorandum, *Ideas to Encourage & Promote Public Stewardship*, from Laurie Osterndorf, Executive Director, Natural Resources Foundation of Wisconsin (February 18, 1999).

13. Mission Statement, *Natural Resources Foundation of Wisconsin* (undated).